

REPORT OF AUDIT
TOWN OF CLEO SPRINGS
INCLUDING
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

OFFICERS

JERRY MORGAN	MAYOR/CHAIRMAN
ERIC LITTRELL	MEMBER/TRUSTEE
LAVERDA NICKEL	MEMBER/TRUSTEE
JOHN HAMAND	MEMBER/TRUSTEE
JERRY MORRISON, JR.	MEMBER/TRUSTEE
DIXIE WEBER	CLERK/TREASURER/SECRETARY

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

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TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

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Chas. W. Carroll, P.A.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Trustees
Town of Cleo Springs
Major County, Oklahoma

I have audited the accompanying financial statements, each major fund and the aggregate remaining fund information of the Town of Cleo Springs, Major County, Oklahoma, as of and for the year ended June 30, 2011, as listed in the Table of Contents, which collectively comprise a portion of the Town's basic financial statements required by accounting principals generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting. The financial statements are the responsibility of the Town of Cleo Springs, Oklahoma, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note No. 1, the Town of Cleo Springs, Oklahoma, prepares its financial statements on a basis of accounting that demonstrates compliance with a modified cash basis, which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America.

Management has not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities. Accounting principals generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from modified cash basis transactions for the Town's governmental activities are not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the modified cash basis financial position of the Town of Cleo Springs, Oklahoma as of June 30, 2011, or the changes in its modified cash basis financial position, where applicable, for the year then ended.

The Budgetary Comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it.

The Town of Cleo Springs, Oklahoma has not presented the Management's Discussion that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was made for the purpose of forming an opinion on the accompanying modified cash basis financial statements taken as a whole. The general fund budgetary comparison information, combining financial statements and supporting schedules listed in the accompanying Table of Contents are presented for purpose of additional analysis and are not a required part of the financial statements of the Town of Cleo Springs, Oklahoma. For reasons stated in the third paragraph above, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the modified cash basis financial position of the governmental activity and the changes in modified cash basis financial position. Therefore, I do not express an opinion on the accompanying combining and supporting schedules.

In accordance with Government Auditing Standards, I have also issued a report dated November 04, 2011 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Sincerely,



Chas. W. Carroll, P.A.
November 04, 2011

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINED STATEMENT OF ASSETS
 AND LIABILITIES - MODIFIED
 CASH BASIS - ALL GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2011

EXHIBIT A

	GOVERNMENTAL FUNDS				TOTAL
	GENERAL FUND	STREET AND ALLEY FUND	VOLUNTEER FIRE DEPT FUND	OTHER GOVERNMENTAL FUNDS	(MEMORANDUM ONLY) FISCAL YR. 2010-11
ASSETS:					
Cash and Cash Equivalents	\$162,504.81	\$46,910.95	\$58,178.77	\$16,744.12	\$284,338.65
Investments	10,000.00	0.00	0.00	0.00	10,000.00
TOTAL ASSETS	\$172,504.81	\$46,910.95	\$58,178.77	\$16,744.12	\$294,338.65
LIABILITIES AND FUND BALANCES:					
LIABILITIES -					
Warrants & Checks Outstanding	\$1,470.57	\$0.00	\$0.00	\$0.00	\$1,470.57
Encumbrances	0.00	0.00	0.00	0.00	0.00
Total Liabilities	1,470.57	0.00	0.00	0.00	1,470.57
FUND BALANCES-					
Nonspendable	0.00	0.00	0.00	0.00	0.00
Restricted	0.00	46,910.95	58,099.76	13,871.15	118,881.86
Committed	0.00	0.00	0.00	0.00	0.00
Assigned	0.00	0.00	79.01	2,872.97	2,951.98
Unassigned	171,034.24	0.00	0.00	0.00	171,034.24
Total Fund Balances	171,034.24	46,910.95	58,178.77	16,744.12	292,868.08
TOTAL LIABILITIES AND FUND BALANCES	\$172,504.81	\$46,910.95	\$58,178.77	\$16,744.12	\$294,338.65

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
 JULY 01, 2010 TO JUNE 30, 2011

EXHIBIT B

	GOVERNMENTAL FUNDS				TOTAL
	GENERAL FUND	STREET AND ALLEY FUND	VOLUNTEER FIRE DEPT FUND	OTHER GOVERNMENTAL FUNDS	(MEMORANDUM ONLY) FISCAL YR. 2010-11
REVENUE:					
Service Collections	\$110,540.33	\$0.00	\$1,490.00	\$485.00	\$112,515.33
Taxes	36,521.09	21,205.11	18,324.10	0.00	76,050.30
Interest Earned	425.17	0.00	79.01	1.73	505.91
Other Revenue	7,188.78	0.00	6,571.00	1,950.00	15,709.78
Intergovernmental	0.00	0.00	4,397.72	32,873.88	37,271.60
TOTAL	154,675.37	21,205.11	30,861.83	35,310.61	242,052.92
EXPENDITURES:					
Personal Service	74,998.26	0.00	840.00	0.00	75,838.26
Maintenance & Operation	42,367.84	12,079.32	20,559.06	1,150.00	76,156.22
Capital Projects	0.00	0.00	0.00	32,873.88	32,873.88
Debt Service	0.00	0.00	0.00	0.00	0.00
Sanitation	30,531.97	0.00	0.00	0.00	30,531.97
TOTAL	147,898.07	12,079.32	21,399.06	34,023.88	215,400.33
Excess of Revenues Over/ <Under> Expenditures	6,777.30	9,125.79	9,462.77	1,286.73	26,652.59
Operating Transfers	1,865.85	0.00	0.00	(1,865.85)	0.00
Excess of Revenues Over/ <Under> All Uses	8,643.15	9,125.79	9,462.77	(579.12)	26,652.59
Balance at 7/01/10	162,391.09	37,785.16	48,716.00	17,323.24	266,215.49
Balance at 6/30/11	\$171,034.24	\$46,910.95	\$58,178.77	\$16,744.12	\$292,868.08

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The accounting and reporting of the Town of Cleo Springs, Major County, Oklahoma, relating to the funds included in the combined financial statements demonstrates conformity with a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principals. The more significant of the municipalities policies are described below.

A. Reporting Entity

The municipality is a corporate body for public purpose created under Title II of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title II, Oklahoma Statutes. The governing body of the municipality is the Board of Trustees composed of elected members. The mayor is the executive officer of the municipality.

In evaluating how to define the municipality, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic - but not only the - criterion for including a potential component unit within the reporting entity is the governing body's oversight responsibility, especially financial interdependency. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based upon the application of this criteria, the Public Works Authority is included in the Town's reporting entity. While the Public Works Authority Trust and Town are separate legal entities, the Public Works Authority is not only financially accountable to the Town, the two entities operate jointly as one unit. Certain expenditures may be paid by either entity and money may be transferred from the Public Works Authority to the Town for operating need by board approval. Therefore, the Public Works Authority is included in the financial reports as a part of the Town's General Fund operations.

B. Fund Accounting

The town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain town functions or activities.

B. Fund Accounting (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

Fund Description

The following funds are utilized by the Town of Cleo Springs, Oklahoma.

Governmental Fund Types -

Fiduciary Fund Types -

General Fund

Permanent Fund

Special Revenue Funds

Capital Projects

Debt Service Fund

The General Fund accounts for all financial transaction not accounted for any other fund. The revenues include taxes, utility collections, fees, licenses and permits, fines and forfeits, etc. Expenditures are for personal services, maintenance and operations, and capital outlay.

The Public Works Authority Water And Sewer Operating Fund is considered a portion of the Town's General Fund Operations. The Water And Sewer Operating Fund may be used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related cost. The primary revenue source is utility service collections.

The Administrative Petty Cash Fund is considered a portion of the Town's General Fund operations. The Administrative Petty Cash Fund is used to make small General Fund type expenditures as approved by management at the beginning of each fiscal year such as postage, freight and supplies that may be needed immediately. The funding is provided by transfers from the General Fund and Water And Sewer Operating Fund which require approval by the Governing Board.

Special Revenue Funds are funds which must be spent in accordance with special regulations and restrictions. There are major classifications to account for operating funds which the use of revenues is restricted or designed by outside sources.

Special Revenue Funds -

Reserve Fund

Street & Alley Fund

Volunteer Fire Department

Park & Recreation

- continued -

Fund Description (continued)

The Capital Projects Funds are funds used to improve the infrastructure of the Town and Public Works Authority.

Capital Projects Funds -

CDBG Funds

NODA REAP Grant Funds

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related cost. An additional revenue source was interest earnings from temporary investments.

Debt Service Funds -

Sinking Fund

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Town. When these assets are held under the same terms of a formal trust agreement, either a permanent trust fund or an expendable trust fund is used. The terms "permanent" and "expendable" refer to whether or not the Town is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Town holds on behalf of others as their agent and do not involve measurement of results of operations.

Permanent Funds -

Service Contract Fund

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and fiduciary funds are accountable for a modified cash basis of accounting. Revenues, except for certain grant revenues, are recognized when they are received rather than earned. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized when the grant expenditure is made. Under this modified cash basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred.

The Town of Cleo Springs, Oklahoma, utilizes an appropriated budget system of accounting. This system has an approved budget appropriation for its General Fund and Street & Alley Fund. All expenditures are recorded against the appropriation on a ledger by classification.

D. Budgets and Budgetary Accounting

The Town is required by state law to prepare an annual budget. The Town must submit a budget by August 22 of each year according to Oklahoma Statutes, Title 68, Section 3002. The budget amount for the Town is the appropriated balance approved by the County Excise Board. The budget, as set by the governing board, constitutes the maximum funds that may be spent during the fiscal year by any department of the local government required to appropriate funds. The budget includes revenues which are collected by the Town or transfers into a specific fund from another fund. The Town's budget does not include an ad valorem tax levy.

A budget is legally adopted by the Board of Trustees for the General Fund and Special Revenue Funds that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund - is utilized in all governmental funds of the Town.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriation of the previous fiscal year are lapsed and become part of the beginning fund balance for the succeeding fiscal year.

E. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits are maintained in NOW Checking Accounts or Savings Accounts.

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The Town Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>Bank</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>Balances</u>
Cash/Investments	\$ <u>250,000.00</u>	\$ <u>44,338.65</u>	\$ <u>0.00</u>	\$ <u>294,338.65</u>

Pooled Cash

The Town of Cleo Springs uses a pooled cash concept in maintaining its bank accounts. The Town pools the General and Street & Alley Fund for operation and investment purposes and each fund has equity in the pooled amount.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The Town does not maintain complete financial records of capital assets purchased which would include depreciation schedules; therefore, a General Fixed Asset Group of Accounts is not presented.

Property Tax

The Town's property tax is levied each October 1, on the assessed value listed as of January 1, of the same year for all real and personal property located in the Town, except certain exempt property. Assessed values are established by the Oklahoma Tax Commission and the State Equalization Board. A Revaluation of all property is required once every five (5) years.

The Town did not have a mileage levy for the General Fund for the 2010-11 period.

Compensated Absences

The Town does not have a policy which would allow vacation leave or sick pay benefits to accrue to employees past the current year. Therefore, no liability is recorded in the accompanying financial statements.

Operating Leases

The Town had no operating leases during the current fiscal year; therefore, no liability is recorded in the accompanying financial statements.

Long Term Debt

Revenue Bonds payable of the Town of Cleo Springs, Oklahoma is as follows;

Oklahoma Water Resources Board Promissory Note -

Principal amount of \$145,000.00, dated January 30, 1991, at an initial interest rate of 6.592%. On March 1, 1991, and periodically thereafter, until final maturity of this note, the rate of interest was subject to adjustment; provided, however, that in no event was the interest rate or cost on this note to exceed any applicable statutory limitation. Scheduled bonds retired to date total \$145,000.00 leaving an outstanding debt balance of \$0.00

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which

Fund Statements (continued)

Amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable for or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Street and Alley revenue as being restricted because the use is restricted by State Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds is restricted by State Statute.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned interest earnings to the funds where earned for the purposes defined by the fund.

Unassigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned interest earnings to the funds where earned for the purposes defined by the fund.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer to the use of these other classified funds.

- continued -

F. Statement of Cash Flows

The Town considers all municipal activities as a part of the general governmental funds operations; therefore, a Statement of Cash Flows is not presented.

2. Risk Management

Liabilities Protection Plan

The Town's Commercial Liability Insurance agreements cover claims against municipalities for all government functions, utilities, and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claim law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claims losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

The Town Clerk/Treasurer is bonded with the Western Surety Company in the amount of \$10,000.00. The bond number is 18261713, dated November 21, 1990 and is renewed annually.

The Public Works Authority Treasurer is bonded with the Western Surety Company in the amount of \$50,000.00. The bond number is 18262760, dated December 11, 1990 and is renewed annually.

The Deputy Town Clerk is bonded with the Western Surety Company in the amount of \$5,000.00. The Deputy Clerk is bonded by the same bond as the Town Clerk/Treasurer, number is 18261713, dated November 21, 1990 and is renewed annually.

- continued -

3. Consumers and Service Rates

Average Number of Consumers for Audit Period:

Residential	200
Commercial	7
Churches	5
Schools	<u>1</u>
Total Consumers	213

Monthly Service Rates:

Water - Inside Residents -	\$ 16.25	Minimum charge up to 2,000 gallons
	\$ 1.50	Per each additional 1,000 gallons up to 23,000 gallons
	\$ 1.70	Per each additional 1,000 gallons over 23,000 gallons
Outside Residents -	\$ 26.25	for first 5,000 gallons
	\$ 2.00	Per each additional 1,000 gallons up to 25,000 gallons
	\$ 2.25	Per each additional 1,000 gallons over 25,000 gallons
Sewer -	\$ 9.75	Per month minimum for first 2,000 gallons.
	\$.75	per 1,000 gallons thereafter
Sanitation -	\$ 14.00	Per month
Scale Fee -	\$.25	Per month
Deposits -	\$100.00	Water/Sewer

The Trustees of the Town of Cleo Springs and Cleo Springs Public Work Authority adopted an Employee Retirement by Ordinance Number 94-2 on September 7, 1994. The ordinance authorized the Town and Public Works Authority to enter into an agreement for the pooling of funds with the Oklahoma Municipal Retirement Fund, a public trust, for the purposes of administration, investment and management of the funds of the Employee Retirement System.

Employees become eligible to participate in the Plan twelve (12) months after the employee's employment commencement date.

Employee contribution options are identified in the Joinder Agreement.

The total contribution for the employees of the Town covered by the System for the year ended June 30, 2011 was \$8,099.25.

4. Employee Retirement System - Pensions Plans (continued)

The volunteer firefighters are covered under the Oklahoma State Firefighters Pension and Retirement System. Contributions are made each year by the Town for each volunteer member.

The total contribution for the volunteer firefighters of the Town covered by the System for the year ended June 30, 2011 was \$840.00.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

6. Town Cemetery

The Town of Cleo Springs owns a parcel of land which was deeded to the Town in 1902 by an individual identified as Mr. Winters. The Town does not operate the cemetery and no accounting of revenues or expenses is maintained by the Town. A Cemetery Board is identified and appointed by the Town's people and is approved by the Town Board of Cleo Springs. At the present time the Town leases this parcel to the cemetery Board at \$ 1.00 per year under a Lease Agreement and Operation and Maintenance Contract. The terms of the lease identify a ten (10) year period commencing June 5, 2002 and ending June 30, 2012. The lease shall automatically renew for an additional ten(10) years unless prior action is taken by the Town Board and the Cemetery Board at least thirty (30) days prior to the renewal date.

7. Municipal Sales Tax

The Town of Cleo Springs receives revenue from a one cent (.01) municipal sales tax on a monthly basis. The sales tax is distributed equally between the Town General, Street and Alley, and Volunteer Fire Department Funds.

8. Grant Projects

- A. State of Oklahoma - Rural Economic Action Plan
 Northern Oklahoma Development Authority
 Contract No. 07 REAP FUND MA07-3
 Funding Period: December 1, 2006 through November 30, 2007 (Extensions have since been granted)
 Amount: \$43,500.00

The scope of the project is to provide a Backup Water Well for the Town of Cleo Springs.

	<u>Original Allocation/ Commitment</u>	<u>Expenditures Claimed as of 06/30/11</u>	<u>Unobligated Allocations/ Commitments</u>
REAP	<u>\$43,500.00</u>	<u>\$ 40,384.88</u>	<u>\$3,115.12</u>

- B. State of Oklahoma - Rural Economic Action Plan
 Northern Oklahoma Development Authority
 Contract No. 08 REAP FUND MA08-2
 Funding Period: February 1, 2008 through January 31, 2009 (Extensions have since been granted)
 Amount: \$50,000.00

- continued -

8. Grant Projects (continued)

The scope of the project is to provide additional assistance to provide a backup well for Town of Cleo Springs.

	<u>Original Allocation/ Commitment</u>	<u>Expenditures Claimed as of 06/30/11</u>	<u>Unobligated Allocations/ Commitments</u>
REAP	<u>\$50,000.00</u>	<u>\$ 9,495.00</u>	<u>\$40,505.00</u>

C. State of Oklahoma - Community Development Block Grant

Oklahoma Department of Commerce

Contract No. 14304 CDBG10 CFDA No. 14.228

Funding Period: August 13, 2010 through August 13, 2012

Amount: \$67,451.00

Leverage Requirement: \$78,545.00

The Scope of the project is to construct one water well approximately 77 feet deep and all apputenances to serve the Town of Cleo Springs, in Major County.

A portion of the Leverage is to be provided with the NODA REAP Grant and the balance from local funds.

	<u>Original Allocation/ Commitment</u>	<u>Expenditures Claimed as of 06/30/11</u>	<u>Unobligated Allocations/ Commitments</u>
CDBG	\$ 67,451.00	\$ 1,349.00	\$ 66,102.00
Local	<u>\$ 78,545.00</u>	<u>\$ 0.00</u>	<u>\$ 78,545.00</u>
Total	<u>\$145,996.00</u>	<u>\$ 1,349.00</u>	<u>\$144,647.00</u>

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINING STATEMENT OF ASSETS
 AND LIABILITIES - MODIFIED CASH BASIS-
 GENERAL FUND TYPE GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2011

SCHEDULE A-1

GENERAL FUND TYPE GOVERNMENTAL FUNDS				
	GENERAL FUND	WATER & SEWER OPERATING FUND	ADMIN PETTY CASH FUND	TOTALS 2010-11
ASSETS:				
Cash and Cash Equivalents	\$120,721.62	\$41,730.08	53.11	\$162,504.81
Investments	0.00	10,000.00	0.00	10,000.00
TOTAL ASSETS	\$120,721.62	\$51,730.08	\$53.11	\$172,504.81
LIABILITIES AND FUND BALANCES:				
LIABILITIES-				
Warrants & Checks				
Outstanding	\$0.00	\$1,470.57	\$0.00	\$1,470.57
Encumbrances Outstanding	0.00	0.00	0.00	0.00
Total Liabilities	0.00	1,470.57	0.00	1,470.57
FUND BALANCES-				
Nonspendable	0.00	0.00	0.00	0.00
Restricted	0.00	0.00	0.00	0.00
Committed	0.00	0.00	0.00	0.00
Assigned	0.00	0.00	0.00	0.00
Unassigned	120,721.62	50,259.51	53.11	171,034.24
Total Fund Balances	120,721.62	50,259.51	53.11	171,034.24
TOTAL LIABILITIES AND FUND BALANCES	\$120,721.62	\$51,730.08	\$53.11	\$172,504.81

The accompanying notes are an integral part of these financial statements.

SCHEDULE A-2

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINING STATEMENT OF ASSETS
 AND LIABILITIES - MODIFIED CASH BASIS -
 NON-MAJOR OTHER GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2011

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS			DEBT		TOTALS 2010-11
	O.W.R.B. RESERVE FUND	PARK AND RECREATION FUND	C D B G FUND	NODA REAP GRANT FUND	O.W.R.B. SINKING FUND	SERVICE FUND	PERMANENT FUND		
Cash and Cash Equivalents	\$0.00	\$2,872.97	\$0.00	\$0.00	\$0.00	\$13,871.15		\$16,744.12	
Investments	0.00	0.00	0.00	0.00	0.00	0.00		0.00	
TOTAL ASSETS	\$0.00	\$2,872.97	\$0.00	\$0.00	\$0.00	\$13,871.15		\$16,744.12	
LIABILITIES AND FUND BALANCES:									
LIABILITIES -									
Warrants & Checks Outstanding	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Encumbrances Outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
FUND BALANCES-									
Nonspendable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Restricted	0.00	0.00	0.00	0.00	0.00	13,871.15		13,871.15	
Committed	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Assigned	0.00	2,872.97	0.00	0.00	0.00	0.00	0.00	2,872.97	
Unassigned	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total Fund Balances	0.00	2,872.97	0.00	0.00	0.00	13,871.15		16,744.12	
TOTAL LIABILITIES AND FUND BALANCES	\$0.00	\$2,872.97	\$0.00	\$0.00	\$0.00	\$13,871.15		\$16,744.12	

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -
 GENERAL FUND TYPE GOVERNMENTAL FUNDS
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE B-1

GENERAL FUND TYPE GOVERNMENTAL FUNDS

	GENERAL FUND	WATER & SEWER OPERATING FUND	ADMIN PETTY CASH FUND	TOTALS 2010-11
REVENUE:				
Services	\$33,725.60	\$76,814.73	\$0.00	\$110,540.33
Taxes	36,521.09	\$0.00	0.00	36,521.09
Fines, Penalties & Permits	2,893.00	\$1,639.50	0.00	4,532.50
Interest Earned	242.09	183.08	0.00	425.17
Royalties & Other	2,656.28	0.00	0.00	2,656.28
Intergovernmental	0.00	0.00	0.00	0.00
TOTAL	76,038.06	78,637.31	0.00	154,675.37
EXPENDITURES:				
Personal Service	16,722.09	58,276.17	0.00	74,998.26
Maintenance & Operation	21,731.30	20,495.70	140.84	42,367.84
Sanitation	30,531.97	0.00	0.00	30,531.97
Capital Projects	0.00	0.00	0.00	0.00
TOTAL	68,985.36	78,771.87	140.84	147,898.07
Excess of Revenues Over/ <Under> Expenditures	7,052.70	(134.56)	(140.84)	6,777.30
Operating Transfers	0.00	1,865.85	0.00	1,865.85
Excess of Revenues Over/ <Under> All Uses	7,052.70	1,731.29	(140.84)	1,590.45
Balance at 7/01/10	113,668.92	48,528.22	193.95	162,391.09
Balance at 6/30/11	<u>\$120,721.62</u>	<u>\$50,259.51</u>	<u>\$53.11</u>	<u>\$171,034.24</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE B-2

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - NON-MAJOR OTHER GOVERNMENTAL FUNDS
 JULY 01, 2010 TO JUNE 30, 2011

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND		PERMANENT FUND	TOTALS 2010-11
	O.W.R.B. RESERVE FUND	PARK AND RECREATION FUND	C D B G FUND	NODA REAP GRANT FUND	O.W.R.B. SINKING FUND	SERVICE CONTRACT FUND				
REVENUE:										
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interest Earned	0.00	0.00	0.00	0.00	1.73	0.00	1.73	0.00	0.00	1.73
Services	0.00	485.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	485.00
Patron Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,950.00	0.00	1,950.00
Donations and Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intergovernmental	0.00		1,349.00	31,524.88	0.00	0.00	0.00	0.00	0.00	32,873.88
TOTAL	0.00	485.00	1,349.00	31,524.88	1.73	1,950.00	1.73	1,950.00	0.00	35,310.61
EXPENDITURES:										
Personal Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maintenance & Operation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,150.00	0.00	1,150.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Projects	0.00	0.00	1,349.00	31,524.88	0.00	0.00	0.00	0.00	0.00	32,873.88
TOTAL	0.00	0.00	1,349.00	31,524.88	0.00	1,150.00	0.00	1,150.00	0.00	34,023.88
Excess of Revenues Over/										
<Under> Expenditures	0.00	485.00	0.00	0.00	1.73	800.00	1.73	800.00		1,286.73
Operating Transfers	(0.10)	0.00	0.00	0.00	(1,865.75)	0.00	(1,865.75)	0.00		(1,865.85)
Excess of Revenues Over/										
<Under> All Uses	(0.10)	485.00	0.00	0.00	(1,864.02)	800.00	(1,864.02)	800.00		(579.12)
Balance at 7/01/10	0.10	2,387.97	0.00	0.00	1,864.02	13,071.15	1,864.02	13,071.15		17,323.24
Balance at 6/30/11	\$0.00	\$2,872.97	\$0.00	\$0.00	\$0.00	\$13,871.15	\$0.00	\$13,871.15		\$16,744.12

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND FUND
 BALANCES - BUDGET AND ACTUAL - MODIFIED
 CASH BASIS - GENERAL FUND ONLY
 FOR THE FISCAL YEAR ENDING JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE <UNFAVORABLE>
REVENUES:				
Taxes	\$29,383.66	\$29,383.66	\$36,521.09	\$7,137.43
Services	33,977.78	33,977.78	35,189.30	1,211.52
Rentals/Royalties	3,177.72	3,177.72	2,187.16	(990.56)
Other	0.00	0.00	2,140.51	2,140.51
TOTAL	66,539.16	66,539.16	76,038.06	9,498.90
EXPENDITURES:				
Personal Services	27,500.00	27,500.00	16,722.09	10,777.91
Maintenance & Operation	112,708.08	112,708.08	21,731.30	90,976.78
Capital Outlay	2,500.00	2,500.00	0.00	2,500.00
Sanitation	37,500.00	37,500.00	30,531.97	6,968.03
Bank Fees	0.00	0.00	0.00	0.00
TOTAL	180,208.08	180,208.08	68,985.36	111,222.72
Excess of Revenues Over/ <Under> Expenditures	(113,668.92)	(113,668.92)	7,052.70	120,721.62
Operating Transfers	0.00	0.00	0.00	0.00
Excess of Revenue Over/ <Under> All Uses	(113,668.92)	(113,668.92)	7,052.70	120,721.62
Balance at 7/01/10	113,668.92	113,668.92	113,668.92	0.00
Balance at 6/30/11	\$0.00	\$0.00	\$120,721.62	120,721.62

Notes to Required Supplemental Information-Budgetary Comparison Schedule

Budgetary Accounting

The Town prepares its budget for the General Fund on the modified cash basis of accounting described in Note 1 to Financial Statements. This basis is consistent with the basis of accounting used in presenting the General Fund in the financial statements. The Town utilizes an appropriated budgetary system and all unexpended appropriations lapse at year end.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 GENERAL FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-00

	Total	2010-2011 Fiscal Year	2009-2010 Fiscal Year
<u>Revenues</u>			
Services	\$33,725.60	\$33,725.60	\$0.00
Taxes	36,521.09	36,521.09	0.00
Fines and Permits	2,893.00	2,893.00	0.00
Interest	242.09	242.09	0.00
Royalties	758.16	758.16	0.00
Other	1,898.12	1,898.12	0.00
Intergovernmental	0.00	0.00	0.00
TOTAL	<u>76,038.06</u>	<u>76,038.06</u>	<u>0.00</u>
<u>Expenditures</u>			
Warrants Paid	68,985.36	68,985.36	0.00
Check Printing Chg	0.00	0.00	0.00
TOTAL	<u>68,985.36</u>	<u>68,985.36</u>	<u>0.00</u>
Net Change	7,052.70	7,052.70	0.00
Operating Transfers	0.00	0.00	0.00
Balance at 7-01-10	<u>113,668.92</u>	<u>113,668.92</u>	<u>0.00</u>
Balance at 6-30-11	120,721.62	120,721.62	0.00
Less: O/S Warrants	0.00	0.00	0.00
O/S Encumbrances	0.00	0.00	0.00
TOTAL	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund Balance Forward To 2011-12	<u>\$120,721.62</u>	<u>\$120,721.62</u>	<u>\$0.00</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 WATER AND SEWER OPERATING FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-01

	Total	2010-2011 Fiscal Year	2009-2010 Fiscal Year	Investment
<u>Revenues</u>				
Water (Includes PrePaid)	\$54,725.78	\$54,725.78	\$0.00	\$0.00
Sewer	22,088.95	22,088.95	0.00	0.00
Penalties	1,639.50	1,639.50	0.00	0.00
Interest	183.08	183.08	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	78,637.31	78,637.31	0.00	0.00
<u>Expenditures</u>				
Warrants Paid	77,393.30	77,301.30	92.00	0.00
Check Printing/Returned Checks	0.00	0.00	0.00	0.00
Total Expenditures	77,393.30	77,301.30	92.00	0.00
Net Change	1,244.01	1,336.01	(92.00)	0.00
Operating Transfers	1,865.85	1,865.85		
Balance at 7-01-10	48,620.22	38,528.22	92.00	10,000.00
Balance at 6-30-11	51,730.08	41,730.08	0.00	10,000.00
Less: O/S Warrants	1,470.57	1,470.57	0.00	0.00
Reserves	0.00	0.00	0.00	0.00
TOTAL	1,470.57	1,470.57	0.00	0.00
Fund Balance Forward To 2011-12	\$50,259.51	\$40,259.51	\$0.00	\$10,000.00

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 ADMINISTRATIVE PETTY CASH FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-02

	Total	2010-2011 Fiscal Year	2009-2010 Fiscal Year
<u>Revenues</u>			
Service	\$0.00	\$0.00	\$0.00
<u>Expenditures</u>			
Warrants Paid	140.84	140.84	0.00
Net Change	(140.84)	(140.84)	0.00
Operating Transfers	0.00	0.00	0.00
Balance at 7-01-10	193.95	193.95	0.00
Balance at 6-30-11	53.11	53.11	0.00
Less: O/S Warrants Reserves	0.00 0.00	0.00 0.00	0.00 0.00
Total	0.00	0.00	0.00
Fund Balance Forward To 2011-12	\$53.11	\$53.11	\$0.00

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 STREET AND ALLEY FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-03

	<u>Total</u>	<u>2010-2011 Fiscal Year</u>	<u>2009-2010 Fiscal Year</u>
<u>Revenues</u>			
Taxes	\$21,205.11	\$21,205.11	\$0.00
<u>Expenditures</u>			
Warrants Paid	12,079.32	12,079.32	0.00
Check Printing Chg	0.00	0.00	0.00
Net Change	9,125.79	9,125.79	0.00
Balance at 7-01-10	<u>37,785.16</u>	<u>37,785.16</u>	<u>0.00</u>
Balance at 6-30-11	46,910.95	46,910.95	0.00
Less: O/S Warrants/Reserves	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund Balance Forward To 2011-12	<u><u>\$46,910.95</u></u>	<u><u>\$46,910.95</u></u>	<u><u>\$0.00</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 VOLUNTEER FIRE DEPARTMENT FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-04

	Total	2010-2011 Fiscal Year	2009-2010 Fiscal Year
<u>Revenues</u>			
Taxes	\$18,324.10	\$18,324.10	\$0.00
Services	1,490.00	1,490.00	0.00
Donations	6,566.00	6,566.00	0.00
Interest	79.01	79.01	0.00
Other	5.00	5.00	0.00
Intergovernmental	4,397.72	4,397.72	0.00
Total	30,861.83	30,861.83	0.00
<u>Expenditures</u>			
Warrants Paid	21,399.06	21,399.06	0.00
Bank Charges	0.00	0.00	0.00
Total	21,399.06	21,399.06	0.00
Net Change	9,462.77	9,462.77	0.00
Balance at 7-01-10	48,716.00	48,716.00	0.00
Balance at 6-30-11	58,178.77	58,178.77	0.00
Less: O/S Warrants/Reserves	0.00	0.00	0.00
Fund Balance Forward To 2011-12	\$58,178.77	\$58,178.77	\$0.00

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 O.W.R.B. RESERVE FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-05

	Total	Income Cash	Asset Carrying Value
<u>Revenue</u>			
Interest	\$0.00	\$0.00	\$0.00
Dividends	0.00	0.00	0.00
	<hr/>		
Total	0.00	0.00	0.00
<u>Expenditures</u>			
Fund Service Fee	0.00	0.00	0.00
	<hr/>		
Net Change	0.00	0.00	0.00
Operating Transfers	(0.10)	0.00	(0.10)
Balance at 7-01-10	0.10	0.00	0.10
	<hr/>		
Balance at 6-30-11	\$0.00	\$0.00	\$0.00
	<hr/> <hr/>		

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PARK AND RECREATION FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-06

	<u>Total</u>	<u>2010-2011 Fiscal Year</u>	<u>2009-2010 Fiscal Year</u>
<u>Revenues</u>			
Service	\$485.00	\$485.00	\$0.00
<u>Expenditures</u>			
Warrants Paid	0.00	0.00	0.00
Net Change	485.00	485.00	0.00
Balance at 7-01-10	2,387.97	2,387.97	0.00
Balance at 6-30-11	2,872.97	2,872.97	0.00
Less: O/S Warrants/Reserves	0.00	0.00	0.00
Fund Balance Forward To 2011-12	<u>\$2,872.97</u>	<u>\$2,872.97</u>	<u>\$0.00</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 CDBG FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-07

	<u>Total</u>	<u>2010-2011 Fiscal Year</u>	<u>2009-2010 Fiscal Year</u>
<u>Revenues</u>			
Intergovernmental	\$1,349.00	\$1,349.00	\$0.00
<u>Expenditures</u>			
Warrants Paid	<u>1,349.00</u>	<u>1,349.00</u>	<u>0.00</u>
Net Change	0.00	0.00	0.00
Balance at 7-01-10	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance at 6-30-11	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 NODA REAP GRANT FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-08

	<u>Total</u>	<u>2010-2011 Fiscal Year</u>	<u>2009-2010 Fiscal Year</u>
<u>Revenues</u>			
Intergovernmental	\$31,524.88	\$31,524.88	\$0.00
<u>Expenditures</u>			
Warrants Paid	31,524.88	31,524.88	0.00
Net Change	0.00	0.00	0.00
Balance at 7-01-10	0.00	0.00	0.00
Balance at 6-30-11	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 DEBT SERVICE - O.W.R.B. SINKING FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-09

	Total	Income Cash	Asset Carrying Value
<u>Revenues</u>			
Interest	\$0.00	\$0.00	\$0.00
Dividend	1.73	1.73	0.00
	<hr/>		
TOTAL	1.73	1.73	0.00
<u>Expenditures</u>			
Bonds Paid	0.00	0.00	0.00
Interest Paid	0.00	0.00	0.00
Trustee Fee	0.00	0.00	0.00
	<hr/>		
TOTAL	0.00	0.00	0.00
Net Change	1.73	1.73	0.00
Operating Transfers	(1,865.75)	(1.73)	(1,864.02)
Balance at 7-01-10	1,864.02	0.00	1,864.02
	<hr/>		
Balance at 6-30-11	\$0.00	\$0.00	\$0.00
	<hr/> <hr/>		

The accompanying notes are an integral part of these financial statements.

TOWN OF CLEO SPRINGS
 MAJOR COUNTY - OKLAHOMA
 PUBLIC WORKS AUTHORITY
 SERVICE CONTRACT FUND
 CHANGES IN FUND BALANCE
 JULY 01, 2010 TO JUNE 30, 2011

SCHEDULE 1-10

	<u>Total</u>	<u>2010-2011 Fiscal Year</u>	<u>2009-2010 Fiscal Year</u>
<u>Revenues</u>			
Patron Deposits	\$1,950.00	\$1,950.00	\$0.00
<u>Expenditures</u>			
Warrants Paid	<u>1,150.00</u>	<u>1,150.00</u>	<u>0.00</u>
Net Change	800.00	800.00	0.00
Balance at 7-01-10	<u>13,071.15</u>	<u>13,071.15</u>	<u>0.00</u>
Balance at 6-30-11	13,871.15	13,871.15	0.00
Less: O/S Warrants/Reserves	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund Balance Forward To 2011-12	<u><u>\$13,871.15</u></u>	<u><u>\$13,871.15</u></u>	<u><u>\$0.00</u></u>

The accompanying notes are an integral part of these financial statements.

Chas. W. Carroll, P.A.

The Broadway Tower - Suite 805
114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Board of Trustees
Town of Cleo Springs
Major County, Oklahoma

I have audited the accompanying financial statements, each major fund and aggregate remaining fund information of the Town of Cleo Springs, Major County, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated November 04, 2011. The Town prepares its financial statements on a basis of accounting that demonstrates compliance with a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In my report, my opinion was adverse because the financial statements referred to above do not present the government-wide financial statements as required by the accounting principles generally accepted in the United States of America. The Town has not presented the required supplemental information which includes the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic Financial Statements. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified

Internal Control/Compliance Report
Town of Cleo Springs, Oklahoma
Page Two

certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control over financial reporting as item 11-3. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings as items 11-1 and 11-2.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, management, others within the organization, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Chas. W. Carroll, P.A.
November 04, 2011

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2011

10-01 Financial Statement Presentation

The Town had not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities in the prior year and did not present them in the current fiscal year.

10-02 Required Supplemental Information

The Town had not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements in the prior year, and did not provide the Discussion and Analysis in the current fiscal year.

10-03 Lack of Segregation of Duties

The finding that inherent limitations resulting from a small number of employees performing functions, which would normally be divided among a larger number of employees, prevented a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls continued in the current fiscal year.

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2011

Section 1 - Findings related to the financial statements required to be reported in accordance with GAGAS.

11-01 Financial Statement Presentation

Management has not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities. Accounting principles generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting, require the presentation of government-wide financial statements resulting from modified cash basis transaction for the Town's governmental activities are not reasonably determinable.

11-02 Required Supplemental Information

The Town of Cleo Springs, Oklahoma, has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

11-03 Lack of Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: Due to its limited population, the Town employs one individual who is responsible for certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk increases that errors, fraud or illegal acts could occur and not be detected within a timely basis. For example, employees with access to cash and access to the accounting records could misappropriate cash and conceal the misappropriation through improper accounting entries or adjustment.

Recommendation and Benefit: Efficient segregation of duties is difficult in a small environment; however, this segregation of duties is an important one to seriously consider. We recommend the Town assess the feasibility of segregating the cash collection duties from those of posting and adjusting customer accounts and posting to the accounting ledgers, to the extent reasonably possible. The Town may want to consider the use of volunteer assistance on a monthly basis for the reconciliation duties to segregate those activities from asset custody and bookkeeping. Such duties segregation will significantly reduce the risk of undetected errors, fraud or illegal acts.

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF OTHER MATTERS

No material exceptions were noted or brought to my attention for the 2010-2011 fiscal year.

TOWN OF CLEO SPRINGS
CLEO SPRINGS PUBLIC WORKS AUTHORITY
MAJOR COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF OTHER MATTERS - PRIOR YEAR

All other matters of the prior year have since been resolved unless they are presented in the current year Schedule of Other Matters followed by "A similar exception was presented in the Schedule of Other Matters in the previous year audit report".